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Comprehensive review of the whole question of peacekeeping operations in all their aspects

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financial performance report for the period from 1 July 2001 to 30 June 2002 and proposed budget for the period from 1 July 2003 to 30 June 2004 of the United Nations Logistics Base at Brindisi

Status of the implementation of the strategic deployment stocks

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the performance of the budget for the United Nations Logistics Base at Brindisi for the period from 1 July 2001 to 30 June 2002 (A/57/671) and on the proposed budget for the Logistics Base for the 12-month period from 1 July 2003 to 30 June 2004 (A/57/670 and Corr.1). The Advisory Committee has also considered the report of the Secretary-General on the status of the implementation of the strategic deployment stocks (A/57/751). During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided additional information.

I. United Nations Logistics Base at Brindisi

2. The United Nations Logistics Base at Brindisi has been in operation since late 1994, carrying out tasks related to assets management, including refurbishment, maintenance and storage of serviceable assets from liquidating field missions, and providing communications support through the global satellite network to the United

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Nations, as well as to peacekeeping operations and missions worldwide and several specialized agencies.

A. Financial performance report for the period from 1 July 2001 to 30 June 2002

3. As indicated in section II.A, "Financial resources", of the performance report (A/57/671), expenditures for the period ended 30 June 2002 amounted to $8,970,800 gross ($8,149,600 net), resulting in an unencumbered balance of $11,800 gross ($24,800 net), i.e., 0.1 per cent in gross terms of the amount appropriated. **The Advisory Committee notes that, in a departure from previous practice, the performance report does not contain references to resolutions by which the General Assembly approved the budget for the Logistics Base. The Committee requests that such references be included in future financial performance reports.**

4. The Advisory Committee notes from the supplementary information it received from the Secretariat that the Logistics Base provided, on a reimbursable basis, services valued at $8 million to United Nations and non-United Nations entities during the period from 1 July 2001 to 30 June 2002. **The Committee welcomes the efforts by the administration of the Logistics Base to identify and quantify the cost of each service provided on a reimbursable basis. The Committee requests that information on the technique used by the Logistics Base and its experience in identifying and estimating reimbursable costs be made available to administrations of peacekeeping missions.**

5. **The Advisory Committee points out that the impact of reimbursable expenditure is not reflected in the budget estimates. If the reimbursable service amount is added to the expenditure reported in the performance report, the total level of activity at the Logistics Base would amount to $17 million. The Committee requests that an appropriate methodology in this regard be developed and utilized for the next budget estimate (see para. 10 below).**

6. The comments of the Advisory Committee on individual objects of expenditure covered in the performance report can be found, where relevant, in the discussion on the proposed budget in section II.C below.

B. Information on performance for the current period

7. The Advisory Committee was informed that the cash position of the Logistics Base as at 28 February 2003 was $104 million (including strategic deployment stocks) and that unliquidated obligations for the period from 1 July 2001 to 30 June 2002 amounted to $544,386.

8. The Advisory Committee was also informed that against the authorized staffing establishment of 35 international staff and 95 national staff for the Logistics Base for the period from 1 July 2002 to 30 June 2003, the posts encumbered as at 28 February 2003 were those of 29 international staff and 89 national staff.

9. The Advisory Committee was provided with expenditure data for the period from 1 July 2002 to 30 June 2003 as at 28 February 2003. Expenditure for the period

amounted to $6,883,200 gross ($6,305,500 net) against an apportionment of $14,293,200 gross ($13,068,100 net). The breakdown of the expenditure is contained in the annex to the present report.

C. Proposed budget for the period from 1 July 2003 to 30 June 2004

10. Estimated requirements of $23,262,900 gross ($22,004,400 net) are proposed for the maintenance of the Logistics Base for the period from 1 July 2003 to 30 June 2004. The proposed budget represents an increase of $8,969,700 in total gross resources (62.8 per cent) in relation to the apportionment for the period from 1 July 2002 to 30 June 2003. As indicated in the table "Financial resources" of the summary of the budget report (A/57/670 and Corr.1), the total increase of $8,969,700 reflects an increase of $754,400, or 11.9 per cent, in civilian personnel costs and an increase of $8,215,300, or 103.1 per cent, in operational costs. Table 1 of section II.A of that report contains a breakdown of the proposed budget for the Logistics Base by category of expenditure and variances in requirements, compared with the current budget of the Base. As indicated in paragraph 5 above, the budget estimate does not reflect expenditure that will be undertaken on a reimbursable basis. The Advisory Committee requested information on expenditure likely to be undertaken in this regard in 2003/2004 and was informed that the estimated cost of reimbursable services would amount to approximately $8 million.

11. The proposed budget for the Logistics Base is presented by programme, and resource requirements for each programme are shown by object of expenditure. **The Advisory Committee recommends that this type of presentation be maintained in future budget submissions for the Logistics Base to facilitate budget analysis and comparison.**

12. The Advisory Committee drew the attention of the representatives of the Secretary-General to a number of inconsistencies in the budget presentation. For example, in table 2 of section II.A of the budget report the column headed "Percentage" should not have indicated 100 per cent variances under those budget lines where no resources are shown in the column headed "Apportionment", since there is no basis for comparison; part III, "Analysis of variances", of the proposed budget should have provided a much better justification of all resource requirements, and especially of significant variances, and should have identified more clearly resource growth as opposed to an increase due to a redistribution of resources among programmes. The budget submission should also identify more clearly requirements related to the strategic deployment stocks. The Secretariat assured the Committee that corrective measures would be taken to improve the budget presentation.

13. The Advisory Committee points out that the Board of Auditors commented on several aspects of the management of the Logistics Base in its report on United Nations peacekeeping operations (A/57/5 (vol. II)).[1] The Committee is concerned about the Board's findings, particularly those in paragraphs 31, 32, 33 (b), 33 (c) and 129 of that report. The Committee sought clarification with regard to the Board's finding in paragraph 31 concerning a large amount for pending write-offs ($20.4 million) at the Logistics Base. The Committee was informed that of the assets referred to by the Board, assets valued at $11.1 million were disposed of by sale in May 2002 and residual property valued at $2 million was disposed of by other

means, including destruction and cannibalization. Assets valued at $13.1 million were thus removed from the write-off inventory subsequent to the receipt of sale/disposal certificates in July 2002. To prevent future accumulations of written-off material, management has decided to make retired-asset sales an annual event. Additionally, in view of the fact that items received at the Logistics Base were not always suitable for reuse, the criteria by which items are sent to the Logistics Base have been reviewed and the Department of Peacekeeping Operations has issued guidelines to improve the quality of the equipment sent to the Logistics Base. Policy documents are being actively developed in the light of the new strategic deployment stocks items and replenishment requirements to ensure that only items suitable for reuse in field missions are returned to the Logistics Base.

Civilian personnel costs

14. The estimated requirements of $7,091,300 (gross) for civilian personnel reflect an increase of $754,400. The Committee points out that the bulk of the proposed increase ($553,500) relates to the fact that the full 12-month funding is now required for the previously authorized 8 international and 12 national staff posts in support of the strategic deployment stocks that were funded for six months only. The Committee notes that the estimated requirements for civilian personnel are based on the assumption of a 15 per cent vacancy rate for international staff and a 5 per cent vacancy rate for national staff.

15. Two new international Field Service posts are requested under the programme "Communications and information technology"; four new national staff posts are also requested under that programme, one in administration and three in training.

16. As indicated in paragraph 33 of the budget report (A/57/670 and Corr.1), two international posts at the Field Service level (one for an information technology supervisor and one for a communications supervisor) are proposed in the Communications and Information Technology Section to enhance and improve direct and indirect communications support for the Logistics Base and peacekeeping missions. The Advisory Committee sought clarification on the negative resource growth of $13,400 for international staff in the communications and information technology programme and was informed that it was due to the reduction in the cost parameters for Field Service staff and the application of a higher vacancy rate. As a result of these factors, the estimated cost of the 10 continuing posts for 2003/2004 was $126,000 less than the estimated cost of these posts for 2002/2003. This reduction was partially offset by the cost of two additional Field Service posts, estimated at $112,600, resulting in the negative growth of $13,400. **The Committee has no objection to the proposed establishment of these two Field Service posts.**

17. As indicated in paragraph 6 of the budget report, one new national staff post at the Professional level is proposed for a contract management officer to manage and administer contracts, monitor vendor performance and compliance and streamline contractual operations. **The Advisory Committee has no objection to the establishment of this post.**

18. The proposal to establish three posts at the national level is set out in paragraphs 20 to 22 of the budget report. **The Advisory Committee understands from the supplementary information provided by the Secretariat that of the three requested national staff posts for training, one is at the Professional level and two are at the Local level. The Committee has no objection to the proposed**

establishment of these three national staff posts (see also para. 24 below). According to the Secretariat, these three posts (one chief training officer, one training clerk and one administrative clerk) will form a training section, which is necessary to support the Logistics Base's expanding role as a training centre. As indicated in paragraph 20 of the report, it is anticipated that the Logistics Base will conduct 100 courses with 1,400 participants during the budget period; there are currently no staff assigned to training support. The Committee was informed that only one training course was conducted at the Logistics Base in 1998.

19. The Advisory Committee points out that missions have been delegated the authority to decide on training for their own staff. However, as remarked by the Committee in its analysis of individual mission budgets and in its general report on peacekeeping operations (A/57/772), the Department of Peacekeeping Operations should set stricter standards and guidelines for training priorities and the use of trained staff in the areas of expertise for which they have been trained. **In this connection, the Committee expresses concern at the fact that the Civilian Training Section of the Department of Peacekeeping Operations, for which seven posts were authorized, has yet to become fully operational.**

Operational costs

20. The estimated requirements of $16,171,600 for operational costs reflect an increase of $8,215,300, or 103.1 per cent, compared with the apportionment for the current budget period. As shown in table 1 of section II.A of the budget report, the largest increases in operational costs fall under the budget lines "Communications" ($4.1 million), "Information technology" ($1.4 million), "Facilities and infrastructure" ($1.3 million) and "Miscellaneous supplies, services and equipment" ($1.1 million). **The Advisory Committee is not satisfied with the justification for the increases in resource requirements contained in the budget report and points out that in some cases the explanations are simply generic. For example, paragraphs 36 and 37 of the report contain almost identical and unsubstantiated explanations of an increase of $4.1 million under "Communications" and an increase of $1.8 million under "Information technology". The Committee was provided, upon request, with additional information on the proposed increases. The Committee stresses the necessity of adequate explanation and justification for these resources and trusts that future budget submissions will reflect this requirement.**

21. **In view of the support provided by the Logistics Base to the peacekeeping missions, as well as the funds and programmes and specialized agencies, the Advisory Committee does not object to the estimates for communications ($5,218,100) and information technology ($2,391,700) at the Logistics Base. Nevertheless, in examining the budgets of individual peacekeeping operations, the Committee observed that technological innovations and improvements are largely implemented on an ad hoc basis. It is essential for the field missions to prepare a plan for purchases of communications equipment, hardware and software on the basis of functional requirements. In addition, a time frame for completion of communications or information technology projects should be clearly indicated. The Communications and Information Technology Section could provide backstopping support on the basis of a comprehensive analysis of projected requirements; this should help to reduce the possibility of**

overexpenditure for the acquisition or replacement of communications equipment and information technology items.

22. **Further, the Advisory Committee notes that the Logistics Base has slowly emerged as a global hub for communications and information technology support for peacekeeping operations. Therefore, the Committee requests a comprehensive examination of the merit of transferring to the Logistics Base post and non-post resources of the support account earmarked for helping to meet the communications and information technology needs of peacekeeping operations, retaining at Headquarters only a few posts for policy and liaison functions.**

23. With regard to the proposed increase of $1,071,500 for miscellaneous supplies, services and equipment, the Advisory Committee notes from paragraphs 19, 32, 38 and 40 of the budget report, which provide essentially identical explanations of the variances, that the bulk of the increase ($712,000) relates to contractual services required to assist in the rotation of strategic deployment stocks. The Committee points out that the strategic deployment stocks budget contains, as indicated in paragraph 31 below, an expenditure of $1.1 million for essentially the same purpose, although budgeted for general temporary assistance. In view of this, and taking into account the slow progress in setting up the strategic deployment stocks and the fact that 20 new posts were previously authorized for this activity (see A/56/887/Add.10, para. 23), **the Committee sees no adequate justification for the large increase requested and recommends that the proposed resource requirements be reduced by $712,000.**

24. With regard to the proposed increase of $294,800 for training, which represents resource growth of 75.4 per cent over the apportionment of $391,200 for the current financial period, the Advisory Committee notes from paragraph 24 of the budget report that the increase would provide for the cost of trainers required to conduct 100 training courses. In the course of its review of the individual budgets of peacekeeping operations and of the Secretary-General's report on the overview of the financing of the United Nations peacekeeping operations (A/57/723), the Committee was informed that a provision of $720,000 has been included for trainers' fees in mission budgets. **The Committee recommends, therefore, that the proposed increase of $294,800 in the budget of the Logistics Base be deleted. The Committee stresses that the Department of Peacekeeping Operations should ensure that each mission is charged promptly its share of costs related to the training of its personnel at the Logistics Base.**

25. The estimated requirements of $219,200 for official travel reflect an increase of $48,000, or 28 per cent, compared with the apportionment for the current financial period. **The Advisory Committee points out that the proposed increase is not justified in the budget report. Similarly, the explanations of variances for this object of expenditure contained in paragraphs 29 and 35 of the budget report, although relating to two different programmes of activity, are identical and equally unsubstantiated. Accordingly, the Committee does not recommend the approval of the proposed increase of $48,000 for official travel.**

26. Paragraph 10 of the report of the Secretary-General on the performance of the budget for the Logistics Base for the period from 1 July 2001 to 30 June 2002 (A/57/671) outlines the actions that need to be taken by the General Assembly in connection with the financing of the Logistics Base. **The Advisory Committee**

recommends that the General Assembly apply the unencumbered balance ($11,800), interest income ($289,000), other/miscellaneous income ($156,000) and savings on or cancellation of prior-period obligations ($246,000) to the resources required for the period from 1 July 2003 to 30 June 2004.

27. Paragraph 41 of the Secretary-General's proposed budget for the Logistics Base for the period from 1 July 2003 to 30 June 2004 (A/57/670 and Corr.1) outlines the actions to be taken by the General Assembly in connection with the financing of the Logistics Base. **The Advisory Committee recommends that the General Assembly approve the cost estimates for the Logistics Base in the amount of $22,208,100 gross for the period from 1 July 2003 to 30 June 2004.**

II. Status of the implementation of the strategic deployment stocks

28. As indicated in paragraph 2 of the report (A/57/751) of the Secretary-General on the status of the implementation of the strategic deployment stocks, the General Assembly approved $141.5 million to meet requirements related to implementation. Table 1 of the report contains information on the actual distribution of income to meet those requirements.

29. Section II of the report deals with implementation planning for the strategic deployment stocks. As indicated in paragraph 4, the Office of Mission Support of the Department of Peacekeeping Operations developed a detailed project plan for the strategic deployment stocks, which provided for three major milestones: (a) the ability to deploy a headquarters for a traditional mission; (b) the ability to deploy a traditional mission; and (c) the ability to deploy a complex mission.

30. The Advisory Committee notes from paragraph 8 of that report that in December 2002, the Department of Peacekeeping Operations achieved the first milestone and had positioned sufficient strategic deployment stocks assets at the Logistics Base to rapidly deploy a headquarters for a traditional peacekeeping mission. As indicated in paragraph 9 of the report, the current strategic deployment stocks holdings at the Logistics Base exceeded $32.5 million in value. According to the Secretariat, this amount represents the value of equipment transferred from the Department of Peacekeeping Operations reserve at the Logistics Base ($4.6 million), the value of surplus stocks transferred from several peacekeeping operations ($16.5 million) and the value of items procured from the resources approved by the General Assembly for acquisition of the strategic deployment stocks ($11.4 million). The Committee sought clarification with regard to the treatment of the total value of $21.1 million in equipment transferred from Department of Peacekeeping Operations reserves at the Logistics Base and from surplus stocks of several missions and was informed that this amount is in addition to the total of $141.5 million. The figure of $141.5 million was arrived at after taking into account $4.6 million worth of equipment that was available at the Logistics Base and that matched the requirements for strategic deployment stocks. Other equipment, which had become surplus in various missions and has been placed temporarily in the strategic deployment stocks inventory pending the arrival of new equipment, will be released from the inventory without replacement as soon as the new items procured for the stocks are received. The released items will be reissued to existing peacekeeping missions.

31. The Advisory Committee notes from paragraph 11 of the report that, as at 20 February 2003, obligations, disbursements and pre-encumbrances[2] related to strategic deployment stocks amounted to $115.8 million, including $1.1 million for general temporary assistance, compared with the total budget of $141.5 million approved by the General Assembly for the implementation of the strategic deployment stocks. **The Committee is of the view that the cost of services provided on a continuous, albeit temporary, basis should be charged to contractual services rather than to general temporary assistance.**

32. The Advisory Committee notes that of the total amount of $115.8 million, relatively small amounts reflect actual disbursements and obligations ($9.2 million and $30.8 million, respectively), while pre-encumbrance amounts to $74.7 million. **The Committee is concerned that the low level of disbursements and obligations is indicative of slow progress in the implementation of the strategic deployment stocks.** The Committee sought clarification with regard to the nature and validity of pre-encumbrance commitments and was informed that the pre-encumbrances of $74.7 million ($77.7 million as at 14 March 2003) represent requisitions raised by Department of Peacekeeping Operations commodity managers against the strategic deployment stocks account. The Procurement Division is processing the requisitions into purchase orders. Once purchase orders are issued, the pre-encumbrance total will be decreased by the amount of the requisition and the value of the purchase order will be obligated in the strategic deployment stocks accounts.

33. In paragraph 12 of the report, it is proposed that the validity period in respect of the resources approved by the General Assembly in its resolution 56/292 be extended to 30 June 2004. The Secretariat has said that it intends to utilize 100 per cent of the approved resources ($141,546,000) to establish the strategic deployment stocks. **The Advisory Committee has no objection to the Secretary-General's proposal.**

34. **The Advisory Committee recommends that in the future the Secretary-General consolidate the report on the implementation of the strategic deployment stocks with the report on the budget and performance of the United Nations Logistics Base at Brindisi to avoid the preparation of two separate documents.**

35. The Committee welcomes the information on the liquidation of closed missions provided in section IV of A/57/751 and efforts by the Secretariat to expedite the liquidation process.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5 (vol. II)).

[2] Requisitions that are being processed prior to raising obligations.

Annex

United Nations Logistics Base at Brindisi: status of expenditure for the period from 1 July 2002 to 30 June 2003 as at 28 February 2003

(Thousands of United States dollars)

Category	*Apportionment (1)*	*Expenditure (2)*	*Unencumbered balance (3) = (1)-(2)*
I. Military and police personnel			
Military observers	-	-	-
Military contingents	-	-	-
Civilian police	-	-	-
Formed police units	-	-	-
Subtotal, line 1	-	-	-
II. Civilian personnel			
International staff	2 823.3	1 794.3	1 029.0
National staff	3 513.6	1 762.0	1 751.6
United Nations Volunteers	-	-	-
Subtotal, line 2	**6 336.9**	**3 556.3**	**2 780.6**
III. Operational costs			
General temporary assistance	-	-	-
Government-provided personnel	-	-	-
Civilian electoral observers	-	-	-
Consultants	10.5	-	10.5
Official travel	171.2	162.2	9.0
Facilities and infrastructure	2 835.4	994.8	1 840.6
Ground transportation	1 404.7	444.6	960.1
Air transportation	-	-	-
Naval transportation	-	-	-
Communications	1 123.2	412.8	710.4
Information technology	1 023.5	661.3	362.2
Medical	36.0	-	36.0
Special equipment	-	-	-
Miscellaneous supplies, services and equipment	1 351.8	651.2	700.6
Quick-impact projects	-	-	-
Subtotal, line 3	**7 956.3**	**3 326.9**	**4 629.4**
Gross requirements	**14 293.2**	**6 883.2**	**7 410.0**
Staff assessment income	1 225.1	577.7	647.4
Net requirements	**13 068.1**	**6 305.5**	**6 762.6**
Voluntary contributions in kind (budgeted)	-	-	-
Total requirements	**14 293.2**	**6 883.2**	**7 410.0**